

**WMTA Review Committee
Investment Policy Checklist
"Summary of Comments"**

Name of Entity Reviewed:

Date:

Name of Reviewer:

Overall Rating: Approved Not Approved

Below is a summary of the three reviewers' comments on the investment policy for the entity listed above. All comments are transcribed exactly as the reviewers wrote them on their review checklist.

1. Policy Statement: The investment policy should be concise and should concern itself only with policy matters. Procedural matters should be contained in desk manuals.

Comments / Suggested Improvements:

Importance of Procedures Manual is stressed – too many things can fall thru the cracks without proper documentation

2. Scope: Identify all funds covered by the Investment Policy. (Does the policy include pension funds, reserve funds, special funds, etc)?

Comments / Suggested Improvements:

3. Prudent Person Standard: The "prudent person" rule should be incorporated into the investment policy.

Comments / Suggested Improvements:

4. Investment Objectives: The policy must address the entity's objectives regarding safety of capital, liquidity, and yield.

Comments / Suggested Improvements:

Separate heading for Legality may not be necessary as this is discussed under OBJECTIVES.

5. Delegation of Authority: A list of who is authorized to initiate investment transactions should be included. Identify types of transactions that require special authorization.

Comments / Suggested Improvements:

Good

6. Ethics and Conflicts of Interest: The policy may discuss the issue of officers and employees partaking in personal activities that may impair their ability to make impartial investment decisions.

Comments / Suggested Improvements:

7. Authorized Financial Dealers and Institutions: The policy should address the method of selection of a primary bank, eligible depositories, brokers, and dealers. Does the entity maintain an approved dealer list?

Comments / Suggested Improvements:

The last paragraph states that it is at the request of the Town that the most recent financial statements will be furnished ... this is good however, the request should be that they be furnished annually.

A little hazy. Selection is mentioned, but not how the selection process is carried out. A short explanation, not procedure, is needed.

8. Authorized Investments: The policy statement should specifically identify the types of investments authorized. If repurchase agreements are used, the policy must indicate that a master repurchase agreement is required.

Comments / Suggested Improvements:

9. Collateralization: If repurchase agreements are authorized, the policy should discuss safekeeping of collateral and collateralization at 102%.

Comments / Suggested Improvements:

Repos not authorized

10. Safekeeping and Custody: The policy must address, safekeeping and custody arrangements with banks, brokers, dealers and third party custodians, including delivery versus payment (DVP).

Comments / Suggested Improvements:

Good

11. Diversification: The issue of diversification of investments in various types of securities should be addressed.

Comments / Suggested Improvements:

If (when) portfolio grows the Town might want to be more specific (i.e. Treasury Securities 100%, Agency Securities 25%, etc.)

12. Maximum Maturity: The maximum and average maturity of investments carried in the portfolio should be defined.

Comments / Suggested Improvements:

If at all possible include a maximum weighted average maturity.

13. Internal Controls: Periodic independent review of investment operations should be mandated.

Comments / Suggested Improvements:

Unless the State Auditor starts doing operational audits, another path should be considered.

14. Performance Standards: It may be advisable to establish benchmark comparisons so that the portfolio can be evaluated.

Comments / Suggested Improvements:

What is a "market average rate of return?" - Is this the average of the LGIP rate? Also, using the yield of the portfolio's largest investment instrument is not acceptable. Spelling out the benchmark used by the LGIP would be OK.

15. Reporting: Reports are a good way for the entity's governing body to monitor investment activity.

Comments / Suggested Improvements:

16. Adoption of Policy: In order to be effective, the investment policy should be formally adopted by the entity.

Comments / Suggested Improvements:

17. Glossary: A glossary of terms used in the investment policy should be part of the policy.

Comments / Suggested Improvements:

18. General Comments:

There is never enough time to do all the tasks that need to be done, but PLEASE complete a Procedures Manual. Without such a document, the alternate investment personnel (Mayor and two Council Persons) would not be able to substitute for the Clerk/Treasurer, should he/she be incapacitated. Also, these three persons likely have a much shorter time in office than the Clerk/Treasurer, thereby necessitating training of new personnel. It's easier to do it with a manual than it is "off the cuff."

Otherwise, this is a very good policy, especially since it is written for a small town.